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Director: Linda S. Luebbering

Fiscal Year 2006 Budget In Brief

Missouri Budget and Legislative Agenda

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Matt Blunt

Governor

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January 26, 2005

TO THE GENERAL ASSEMBLY AND THE PEOPLE OF MISSOURI:

It is critical for the future of this state that we move Missouri in a new direction. We must move Missouri toward conscientious stewardship of the hard-earned tax dollars that Missourians send to their state capitol. The wisdom, energy, innovation, thrift, and commitment to service that are demonstrated by the citizens of this state must be reflected in their government. It is my greatest hope that this budget and enactment of meaningful legislation designed to strengthen our schools and foster job creation will chart a new course for our state – one of hope and prosperity for all.

The spending that this budget does define focuses on several key priorities:

- Increased funding for education. Missouri's Constitution declares that public education must be our first commitment. Even if we were not legally bound, we would be morally bound to serve the children of our state and the families who have placed their confidence in us. My budget reflects this commitment by increasing funding for education by \$170.6 million.
- Achieve a structural balance for state government. Past budgets have relied heavily on special one-time monies without addressing a deep structural imbalance that existed. This budget matches incoming state revenues with expenditures. This, the first of several significant steps toward restructuring state government, improves and solidifies Missouri's financial position.
- Foster economic development. If our state's revenue is to grow to meet our needs, then we must increase the number of quality employment opportunities for Missourians. Future budgets will rely upon economic growth. The budget also reflects my interest in developing nationally leading industries in numerous areas, including technology, biomedical research, life sciences, and renewable fuels.

The budget I submit to you is built around my belief that Missourians pay enough in taxes. I am opposed to increasing the tax burden imposed on the people of this state and my budget reflects that. Our state government must live within its means. This budget rededicates state government to the noble idea that it should function as an innovative, efficient, and conscientious servant of the people.

I am grateful for the confidence Missourians have placed in me and look forward to working with the General Assembly to enact my Fiscal Year 2006 budget and legislative initiatives.

Sincerely,

Matt Blunt

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Responsible Stewardship of Taxpayer Dollars

“We must create a government that is more responsive to the needs of the people. Missouri has to earn back the trust of its citizens by demonstrating that their government can get its house in order, operate efficiently, and deliver results.”

Governor Matt Blunt

Missourians are by nature a prudent, no-nonsense people that expect government agencies to work efficiently and effectively to achieve goals. They rightfully expect their elected leaders to responsibly manage state finances, much in the same way that they handle their own personal finances. Sound management of state resources is essential if Missouri is to progress. The state must limit the number of tasks it takes on, as it cannot be all things to all people. For those functions that it does assume, it must provide the highest level of service with minimal resources. Good, hard-working state employees must be adequately compensated and allowed to be innovative so that they can deliver the high-quality service they want to provide. The Governor's *Budget and Legislative Agenda* takes major steps toward improving the services provided to the citizens of the state. In his first year in office, Governor Blunt will take actions to ensure responsible stewardship of taxpayer dollars, make public education the state's top priority, create Missouri jobs, improve the health of Missourians, and protect citizens from crime. This all can and must be done without increasing the tax burden on Missouri families.

Ensuring Structural Balance between Revenues and Expenditures

For several fiscal years, the State of Missouri has used one-time revenue sources to fund ongoing expenses. That type of budgeting has proven unsustainable. It has sunk the state into a budgetary dilemma from which extrication is extremely difficult. Governor Blunt recognizes the danger. He has stated that Missouri must stop spending more than the revenues it receives. The Governor is determined to ensure that the state will do so during his term of office. Taking firm aim at a balanced budget, the Governor recommends core reductions totaling \$1.1 billion, including \$362.2 million general revenue. These reductions will result in the state workforce being trimmed by 1,456 positions. Many programs will be reduced, and some will be eliminated. To truly address the state's structural budget problem and bring spending in line with revenues, difficult decisions must be made.

To balance the state's budget with available resources, the Governor's Fiscal Year 2006 recommendations include the following actions:

- \$239.2 million in reductions to state department budgets. The Governor's department heads have only been on the job a short time, so many of them were not able to provide assistance during development of the Fiscal Year 2006 budget. Rather than relying on appointees of the previous administration, the Governor will task his appointees with developing detailed plans for budget reduction targets to be implemented in Fiscal Year 2006. The department heads will have the next five months to develop these plans, which will be implemented through withholdings at the beginning of the fiscal year. Elementary and secondary education along with higher education will be exempt from these withholdings.

- \$626 million reduction to the Medicaid Program. The Medicaid Program has grown far beyond the state's ability to afford it. Rising health care costs and program expansions by previous administrations have increased state expenditures in this program 108 percent over the last seven years. Without taking aggressive action to control spending increases, the state cannot properly fund education or other critical priorities. Governor Blunt is committed to maintaining Medicaid services provided to pregnant women and children and does not support any changes to these portions of the Medicaid Program. In addition, the state is not doing enough to identify every instance of Medicaid fraud. The Governor is dedicated to improving current efforts to stop the unscrupulous from defrauding taxpayers and supports requiring the Department of Social Services to conduct an annual income and eligibility verification on every Medicaid recipient.
- \$13.8 million in savings and a reduction in the state workforce of 1,017 positions, as a result of improved delivery of services through private providers. The Department of Mental Health's Division of Mental Retardation and Developmental Disabilities operates state habilitation centers providing housing and care to 1,375 residents. Many of these individuals would enjoy a higher quality of life in a less restrictive placement as opposed to a state-operated institution. Governor Blunt supports plans to expand community placements through closure of the state-operated Bellefontaine Habilitation Center and by contracting with providers to assist supported living clients.
- \$9 million in savings achieved through responsible debt management. The State of Missouri is one of only seven states in the nation that has received the highest bond rating, "Triple A," from Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Maintaining a high rating is important because it saves taxpayers money. Governor Blunt is adamant that the state will retain its high rating, and he intends to implement policies that will ensure it. That means putting the state budget on a solid footing by ceasing to rely on one-time revenue sources. Quite simply, the state must not spend more than it receives. Responsible management of long-term debt the state has previously incurred is essential. Governor Blunt has instructed the Office of Administration to achieve savings by refinancing debt when market conditions warrant.
- \$8.1 million in savings and a reduction in the state workforce of 194 positions, by closing the Department of Revenue's motor vehicle licensing branch offices. In November 2004, Missouri voters approved Constitutional Amendment Number 3. The amendment limits the amount of highway funds the Department of Revenue may receive. Absent any change in operations, Amendment 3 would have cost the state approximately \$40.9 million in additional general revenue funds. In order to reduce this cost while ensuring that important highway-related functions of the Department of Revenue are performed efficiently and effectively, Governor Blunt ordered 11 branch offices to be converted to fee offices. Also, the Governor recommends reducing an additional \$1.7 million and 22 positions for other highway fund-related activities from the Department of Revenue budget in order to streamline services.

Reorganizing State Government

It has been 30 years since the last comprehensive reorganization of state government. Over the past three decades, numerous programs and entities have been added to state government, resulting in duplication and overlap of services. During this time, state government has grown over 1,200 percent, from \$1.4 billion to \$19.4 billion. The number of state employees has grown as well. Despite this growth, however, the overall level of service provided by state government has not improved. It is time to reform departmental operations in the interest of economy, efficiency, and better service. Governor Blunt is committed to making Missouri's government as streamlined and efficient as possible. Restructuring key functions will save money and improve the manner in which services are delivered to the taxpayers of Missouri.

Governor Blunt will immediately begin streamlining state government by taking the following actions:

- Eliminating the state's Washington, D.C. Office. This office was eliminated by the General Assembly two years ago but remained open under the previous administration. Governor Blunt closed the office on the first day of his administration, saving taxpayers more than \$160,000 annually. Governor Blunt will work closely with Missouri's bipartisan congressional delegation to address federal issues that impact Missouri state government programs.
- Eliminating the Office of Homeland Security by reassigning these duties to the Director of the Department of Public Safety. Homeland Security is a public safety issue and should be administered by the state's top public safety executive. A separate office is not an efficient use of resources and creates an additional level of bureaucracy. The consolidation will save \$216,000 annually and reduce the state workforce by three positions.
- Consolidating Information Technology resources within the Office of Administration. This will lead to more effective use of state resources, better service, and lower costs. The state will save more than \$118,692 immediately by eliminating the Director of Information Services position and consolidating the duties with those of the state's Chief Information Officer. Additional savings will be identified as the consolidation is implemented.
- Consolidating in-home services provided to elderly and disabled clients within the Department of Health and Senior Services. Services are currently located in three different departments.
- Consolidating head injury programs in the Department of Health and Senior Services, saving \$852,400. It makes no sense that the Head Injury Advisory Council is located in the Office of Administration when head injury services are provided by the Department of Health and Senior Services.

Comprehensive Review of State Government

Governor Blunt is committed to conducting a thorough review of state government to identify additional areas of duplication, save taxpayer dollars, and improve services provided to Missourians. A top to bottom review is needed to get a complete and accurate picture of what government is doing, why it is doing it, and how it can operate more efficiently. By the end of February, Governor Blunt will issue an Executive Order creating a 20-member commission to conduct a comprehensive review of state government. The Governor will appoint the commission and direct the members to:

- Study the current structure of each executive department. The commission will look at whether this structure lends itself to the provision of effective service to the citizens of Missouri.
- Identify areas in which executive departments can more efficiently and effectively fulfill their missions.
- Explore tools currently available that can help executive departments realize cost savings, increase efficiencies, and provide better service to Missouri citizens.
- Identify opportunities to combine functions and reduce duplicative tasks on an inter-departmental basis.
- Recommend inefficiencies that should be addressed, costs that can be reduced, and services that need to be improved.

Immediate Operating Efficiencies

Governor Blunt also proposes freezing expenditures in certain areas of state government until a comprehensive review can be completed. To curb potentially excessive purchases by state agencies, Governor Blunt issued an Executive Order on January 11, 2005, his first full day in office, that:

- Limits the purchase of non-emergency vehicles. Missouri state government has a fleet of more than 10,800 vehicles. Each state department has its own separate fleet. Governor Blunt is committed to reducing the size of state government's vehicle fleet.
- Halts the purchase of taxpayer provided cell phones. State government owns more than 6,600 cell phones that are used by state employees. Some of these are provided for efficiency and safety purposes. For example, child welfare workers and law enforcement personnel who are put in harm's way must have a continuous means of communication. Other phones, however, are not being utilized for legitimate state business. Governor Blunt will conduct an evaluation of cell phone usage and eliminate phones that are not necessary for the delivery of state services.
- Eliminates the purchase and lease of new space for state agencies. The State of Missouri currently leases more than four million square feet of office space and owns 20 office buildings to house state employees. Governor Blunt is committed to downsizing the state workforce and eliminating the need for additional space.

2005 Legislative Initiative Ending Special Retirement Enhancements

The Administrative Law Judge and Legal Advisors' Plan (ALJLAP) was created in 1984 to provide retirement benefits to administrative law judges and legal advisors in the Division of Workers' Compensation. Since 1984, membership has been expanded to include the Labor and Industrial Relations Commission, Chairman of the State Board of Mediation, legal counsel for the Division of Labor Standards, and Administrative Hearing Commissioners. Current law allows new appointees to positions covered by the system to receive a more lucrative retirement benefit than other state workers without having to serve more than one day in the position. Other state workers must be employed by the state for five years before they are vested in the pension system. Recent appointments to positions covered by the ALJLAP have been scrutinized because they have been used to financially reward political allies. Lawmakers from both parties have enjoyed pension boosts in the past from serving short tenures in an ALJLAP position. Governor Blunt is strongly opposed to this practice and will work with the legislature to reform the current pension structure.

Non-Resident Athlete and Entertainer Tax

Since 1994, Missouri has set aside a portion of income taxes paid by non-resident athletes and entertainers who perform or hold events in Missouri. Collections are to be distributed to the Missouri Arts Council, Missouri Humanities Council, Missouri Public Television Broadcasting Corporation, Missouri State Library Network, and the Historic Preservation Revolving Fund. The tax has never been distributed as originally intended and in recent years designated recipients have received none of the revenues. Governor Blunt recommends a portion of the revenue be distributed in Fiscal Year 2006. The Governor's budget includes:

- \$3.6 million to the Missouri Arts Council to provide financial and technical assistance to non-profit, Missouri-based organizations that fund arts projects for the citizens of the state.
- \$600,000 to the Missouri Humanities Council for promotion of the humanities in Missouri. The council funds programs that help communities understand and celebrate a shared history and assist local institutions in developing the capacity to engage the public in lifelong learning activities.
- \$600,000 to the State Library Networking Fund for distribution to public libraries to assist in the acquisition of library materials, including books, audiotapes, books on tape, CD-Roms, videos, and computer software.
- \$600,000 to the Public Television Broadcasting Corporation Fund which provides grants to public television and public radio stations for assistance with operating costs.
- \$600,000 to the Historic Preservation Revolving Fund to acquire or stabilize historic properties across the state.

Elections

The November 2000 national election brought attention to challenges with regard to the country's election process. In 2002, President Bush signed the federal Help America Vote Act to assist states in improving the election process. As Missouri's chief election official, Matt Blunt was committed to overseeing fair and accurate elections in the state. During his four years as Secretary of State, he began implementation of the Help America Vote Act, appointed a commission to study Missouri's election issues, and was successful in enacting numerous changes to state law that have improved Missouri's election system. These changes have already improved voter turnout and confidence in the system. Voter turnout in the recent November 2004 election, for example, set a record for the state with 2,731,364 Missourians exercising their right to vote.

State Employee Compensation

Missouri state employee salaries have become the lowest in the nation. Census data from 2003 ranks the state 50th with regard to average state employee salaries. In the midst of recent challenging budget times, state employees have remained dedicated to providing critical services for Missouri citizens. To maintain a high-performing workforce, Governor Blunt recommends \$25 million for a one percent cost-of-living adjustment for all employees.

2005 Legislative Initiative Increasing Election Participation

To build on his success in improving Missouri's election process, Governor Blunt proposes measures to maximize voter participation by adopting a no-fault absentee balloting law. This proposal will help reverse the long-term decline in voter turnout, increase voting convenience, and lessen the potential for long lines at the polls on election day. Such a law will eliminate the traditional reasons for allowing a voter to cast an absentee ballot on election day, such as disability or being out of town. Under no-fault absentee balloting, voters will not be required to provide a reason in order to vote absentee.

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Making Public Education a Priority

“A fundamental objective of my administration will be to make education the number one public policy priority.”

Governor Matt Blunt

Communities are judged by the quality of education that they provide to their children. One of the best indicators of a child's level of success is the amount of support he or she receives from their parents or guardians. Children need someone to believe in them and someone to care about whether or not they achieve. Many Missouri schools are located in communities that are plagued by crime and crumbling infrastructure. Many students do not receive the support they need to reach their full potential. Governor Blunt proposes a new approach to return to an environment in which community groups, churches, and other local institutions are motivated to partner with local schools. During the Governor's administration his “This is Your School” initiative will help promote a sense of community involvement and encourage local groups to work together to find solutions that support Missouri students and teachers.

In the first year of his administration, Governor Blunt will make public education his top priority by instituting “This is Your School,” working to improve Missouri's public aid funding system, supporting early childhood programs, and addressing the escalating costs of higher education.

Reworking the Formula for Distributing State Aid to Public Schools

Missouri has used the Foundation Formula to distribute aid to school districts since 1955. The formula uses the number of pupils, average daily attendance, and local property taxes to calculate state aid. The formula was last rewritten in 1993 following a court ruling that it was unconstitutional.

A decade later, these same equity issues persist. Today, some schools spend an average of just over \$4,500 per pupil, per year, while others exceed \$13,000 per year. The Committee for Educational Equality, representing nearly half of Missouri's 524 school districts, filed suit against the state in 2004. The suit alleges the current formula is not an equitable or adequate means of distributing state aid to public schools.

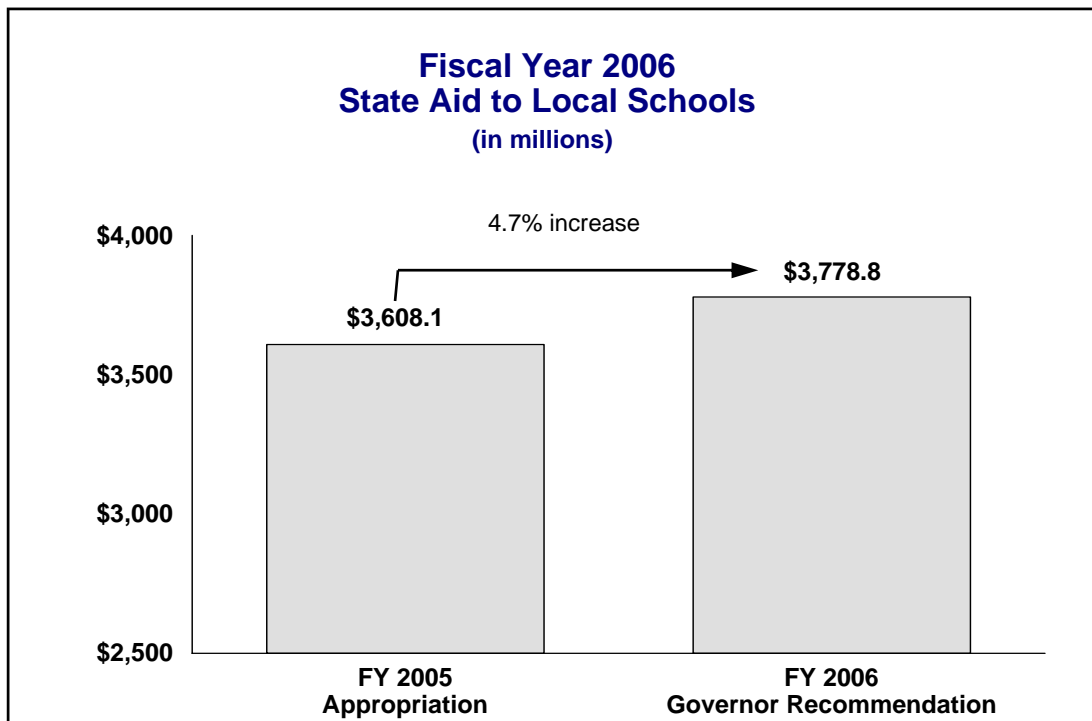
Governor Blunt has already taken steps to begin addressing this important issue by hosting an Education Summit. The first week in January, the Governor convened a group of legislative leaders, teachers' groups, and school administrators to gather ideas about how to improve the current funding system. The Governor is committed to working with the legislature and education leaders to construct a new funding system that will improve the manner in which school funding is distributed and keep the issue out of the courts.

2005 Legislative Initiative Rewriting the School Foundation Formula

Governor Blunt is committed to working with the legislature and education leaders in developing a more equitable way of distributing education funding to Missouri's 524 school districts this session. The Governor supports legislation that:

- Addresses the shortcomings of the present formula without resulting in a net tax increase for Missourians.
- Establishes a Classroom Trust Fund from gaming proceeds that keeps faith with voters who originally passed amendments creating riverboat gambling.
- Allows school districts to exempt themselves out of the formula and out of state regulations.
- Allows school districts to provide additional support to their schools through locally-controlled income or sales taxes approved by voters in their community.
- Ensures that the special education needs of students are carefully considered.

In addition to working with the legislature to rewrite the Foundation Formula in 2005, Governor Blunt pledges to NEVER withhold money that has been appropriated for public schools. For too long, public education has been politicized. Education should be the state's top priority. It is important to parents, employers, and to the children that will be the future leaders of our state. The Governor will work together with the legislature and educators to take politics out of education and explore new ideas that identify real solutions. Governor Blunt's Fiscal Year 2006 budget includes \$170.6 million in additional funding, a 4.7 percent increase, for direct state aid to public schools.



Early Childhood Education Programs

Experts agree that a child's most influential years of learning occur before age five. Evidence indicates that a child's early experiences can significantly enhance learning and development. It is also critical that any developmental issues be identified as early as possible. The role of the school in the early years is to assist the family in providing children a solid educational foundation. It is educationally sound, as well as cost-effective, for schools to work cooperatively with parents during the crucial first years.

Since 1981, Missouri's nationally recognized Parents as Teachers (PAT) Program has supported parents in their role as their child's first and most influential teacher. PAT provides parent education and developmental screening services to families from the time their children are born until they are five years old. The program will provide services to approximately 164,400 families and perform approximately 124,000 screenings each year. Governor Blunt recognizes the importance of Missouri's PAT Program. The Governor's Fiscal Year 2006 budget includes \$5 million to increase participation in this program. This increase will provide services to an additional 10,600 families statewide. It will also allow families with children ages three to five to receive three visits from a PAT educator during the year instead of only one.

A+ Schools

The A+ Schools Program is a school improvement initiative established by the Outstanding Schools Act of 1993. The program raises academic standards, opens new doors to higher education, and introduces students to the teaching profession through tutoring and mentoring activities. The program provides incentives for local high schools to:

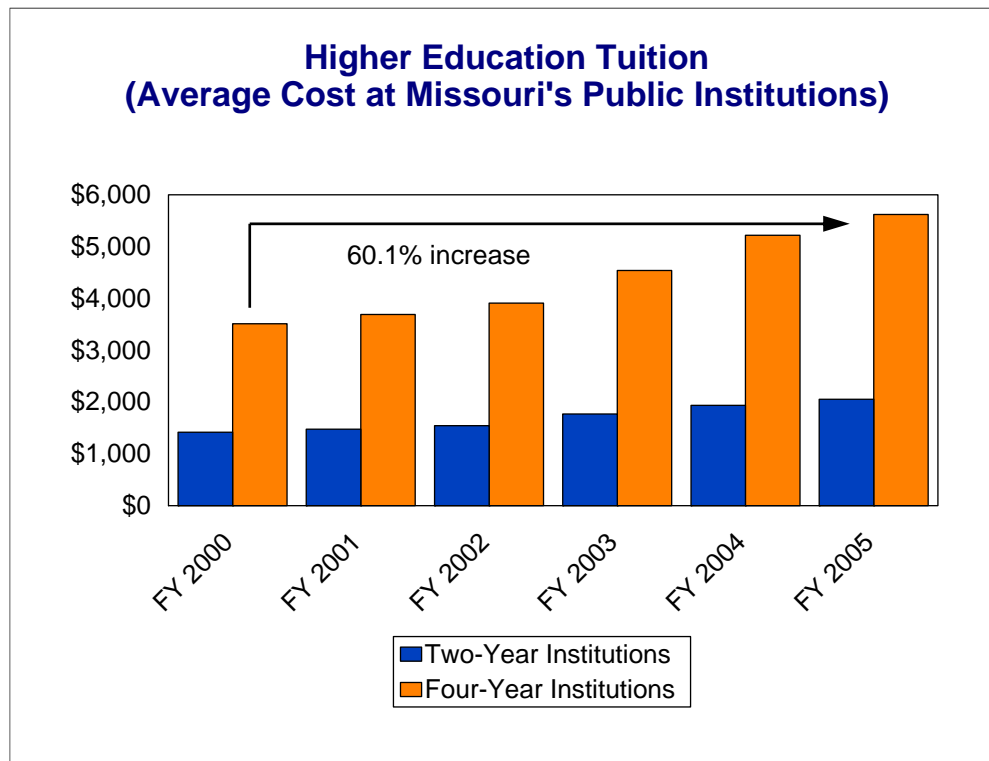
- Reduce the dropout rate.
- Raise academic expectations and eliminate "general track" courses.
- Provide better "career pathways" for all students.
- Work more closely with business and higher education leaders.

Governor Blunt supports this important program that encourages students to stay in school, make career plans, tutor younger students, and graduate with the skills and knowledge required for career success or further education. To allow the program to benefit additional students, the Governor's Fiscal Year 2006 budget includes an increase of \$3.8 million for the A+ Schools Program, bringing total funding to \$16.4 million.

Maintaining a Commitment to Higher Education and Addressing the Rising Costs of Tuition

Governor Blunt's budget provides higher education with consistent and reliable funding, even in the face of incredible budget pressures. By making the tough choices associated with this budget, where for the first time in several years expenditures actually match revenues received by the state, Governor Blunt hopes to be able to avoid problems recently experienced by higher education in which a significant level of uncertainty has existed regarding how much general revenue would be available.

Tuition and fees at Missouri's four-year institutions have increased by an average of 23.8 percent in the last two years, while tuition and fees at Missouri's community colleges have risen by an average of 16.2 percent over the same period. Over the past five years, the increases are even more dramatic, with tuition costs at four-year institutions and community colleges rising by 60.1 percent and 45.0 percent, respectively. These tuition increases have placed an enormous financial burden on Missouri students and their families and have forced an increasing number of students to take on unacceptably high levels of debt in order to pursue a college education. Families with lower and middle incomes can simply no longer afford the cost of college. To help Missouri families cope with these rising tuition costs, Governor Blunt has challenged Missouri's colleges and universities to increase the efficiency of their operations. By operating more efficiently, Missouri's higher education institutions should be able to limit tuition increases.



Supporting Higher Education's Role in Economic Development

Missouri's public colleges, universities, and community colleges provide Missouri citizens the opportunity to enhance their knowledge, expand their skills, and prepare for careers in a wide variety of areas. These higher education institutions provide lifelong learning opportunities that make Missourians better prepared for the demands of a changing workplace. The University of Missouri System has expanded its mission to "support economic development." This is an important mission at a time when Missouri needs to entice new industries to the state, while also helping current Missouri-based businesses expand. Providing companies with an educated, highly-trained workforce is an important way Missouri's colleges and universities can support economic development.

Missouri's public colleges and universities also play a critical role in economic development through various collaborative efforts with the private sector. Increasing such collaborations to maximize strengths and synergies will be central to the emergence of new Missouri industries. It is critical that Missouri's public institutions work together and support each other's efforts to maximize these strengths. Doing so will help make Missouri more competitive with other states.

Governor Blunt supports Southwest Missouri State University's effort to change its name to Missouri State University. This will appropriately reflect the statewide makeup of the university's students and provide it the prestige associated with statewide institutions in other states, such as Illinois State, Indiana State, and Arkansas State. Southwest Missouri State University has established itself as an important institution in Missouri. The high regard associated with a statewide name will increase opportunities for economic development and should be supported.

Increasing commercialization of technology developed at Missouri's public colleges and universities can create a valuable income stream from which institutions and the state as a whole can benefit. Information regarding research project discoveries and patented technologies at Missouri's public colleges and universities should, whenever possible, be made public. Missouri institutions need to advertise potential commercial applications and aggressively market them to the appropriate industries. Every good idea needs a champion. Missouri should create economic incentives to reward individuals that develop the technology and license it to outside institutions. The Missouri Chamber of Commerce and Industry and other marketing partners should be utilized to make current and emerging industries aware of the technological advances and resources available through the state's public institutions.

Additional Opportunities to Save for College

In 1996, the United States Congress authorized the Internal Revenue Service to create tax incentives for college savings plans. The IRS established guidelines for the administration of qualified state tuition programs, typically called 529 plans. This term references the section of the IRS code that contains the regulations related to these programs. These plans allow a parent, guardian, other family member, or friend to set aside money to meet qualifying higher education expenses. Missouri operates a 529 plan called Missouri Savings for Tuition (MO\$T). The plan offers the following tax benefits: participants are not subject to federal or state taxes on earned income, and participants and

beneficiaries are not subject to federal or state taxes on withdrawals. The State of Missouri also offers individuals contributing to MO\$T a state tax deduction of up to \$8,000 annually. Unfortunately, the MO\$T Program offers only a very limited number of investment options, as the program is operated by only one fund manager. Many states have several different fund managers participating in their 529 programs. This gives parents the option of choosing between different managers based on their preferred investment strategies. Governor Blunt supports offering parents additional options with regard to fund management.

2005 Legislative Initiative Expanding College Investment Opportunities

To expand college savings opportunities for Missouri parents, Governor Blunt proposes legislation that:

- Allows Missouri residents participating in any qualified 529 plan from any state or political subdivision to receive equal tax benefits. Currently, Missouri only allows income tax deductions for contributions made to MO\$T.
- Allows Missouri parents the opportunity to assess the costs and returns of different plan managers and investment options so they can invest in a specific 529 plan that works best for them.
- Allows Missouri investment professionals throughout the state to make their clients aware of college savings options and recommend to these clients the best possible 529 plan to reach their college savings goals.

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Creating Missouri Jobs

“We must provide a better entrepreneurial environment; one that allows small business owners and employers to create and sustain good, family-supporting jobs here in Missouri.”

Governor Matt Blunt

Governor Blunt will make job creation and retention a primary focus of state government. The Governor will be hands-on and aggressive in implementing his economic vision for the state and attracting and retaining high-quality, family-supporting jobs.

Missouri has lost jobs to neighboring states because they have tax environments that are more hospitable, regulatory environments that are fairer, schools that are more effective, and a transportation infrastructure that is safer and better maintained. Missouri must be aggressive in growing its economy and adding jobs throughout the state. This cannot happen, however, until the business climate that has eroded in recent years is improved. Governor Blunt's priorities to enhance the business climate include litigation reform, overhauling the Workers' Compensation system, renewing the state's commitment to agriculture, and improving Missouri's transportation system. In addition, Governor Blunt will make it a priority to identify specific economic development tools needed to attract and retain businesses. The Governor will undertake a comprehensive review of Missouri's tax credit programs to ensure that they are accomplishing the desired goals, and that those goals are still relevant in today's fast-moving global economy. Under Governor Blunt, state government will serve as an innovative, effective, and valued partner with Missouri job creators, resulting in a healthier economy and more high-quality, family-supporting jobs.

Creating a Fair Legal System for All Missourians through Litigation Reform

It is estimated that the current tort system costs the United States more than \$200 billion per year, or approximately \$720 per citizen. Missouri's per-citizen costs are higher than this figure because the national average includes many states that have enacted responsible and substantive litigation reform. Many employers are one frivolous lawsuit away from closing their doors. Others are forced to pay “nuisance settlements” on groundless claims to avoid the price of costly litigation. One example of the adverse impact this is having on Missouri citizens is the crisis in the health care community. The American Medical Association named Missouri one of eighteen states facing a health care crisis. Missouri's medical crisis is primarily the result of skyrocketing medical malpractice payments and frivolous lawsuits. Many areas of the state are already seeing the impact of this crisis - traveling long distances to seek medical attention, experiencing a shortage of doctors willing to deliver babies, and lacking critical trauma care services.

2005 Legislative Initiative Litigation Reform

Missouri must create a fair legal system that serves all Missourians. Governor Blunt supports meaningful litigation reform that will stop the abuse of Missouri's court system with frivolous lawsuits, prevent doctors from being forced to close their offices, and reduce employer costs so savings can be used to create new jobs. The Governor proposes legislation that will:

- Place restrictions on venue provisions - where a lawsuit can be filed and tried. This will require that lawsuits be filed where the accident or injury occurs. Current law allows lawsuits to be filed in places other than where an accident occurred. This allows plaintiffs to file lawsuits where juries are perceived to be more generous. This practice of venue shopping by trial attorneys must stop.
- Eliminate joint and several liability and create a comparative fault rule that makes each defendant only responsible for the portion of the damages for which they are directly responsible. The current system is unfair, forcing a party to pay 100 percent of a settlement even if they are only partly liable. This allows plaintiffs to go after those companies or individuals with the deepest pockets. A defendant should not be required to bear the burden of others just because of their ability to pay.
- Limit punitive damage awards to three times the actual damages or \$250,000, whichever is greater. This limit would not apply in cases where the defendant committed a felony.
- Place a single cap on non-economic damages of \$250,000 for all medical malpractice cases. This will protect health care providers while ensuring that the victims of malpractice are adequately compensated for their damages. A 2002 court decision dismantled statutory protections by ruling non-economic damages could be applied multiple times within a single case.
- Ensure that health care providers are only sued when there is fault by crafting a truly meaningful affidavit of merit law. Attorneys who bring suits claiming medical malpractice should have an affidavit from a bona fide clinical peer of the accused who attests that malpractice has, in fact, actually occurred.

Funding for Job Training

The Jobs Retention Training Program is designed to provide the training necessary to retain jobs in the state. This innovative program provides funding for community colleges to improve the skills of existing workers so that their jobs remain in the state. Funding for this program is derived from a portion of the withholding taxes generated by these jobs. The Governor's Fiscal Year 2006 budget includes \$6 million for the Jobs Retention Training Program, a cooperative effort to retrain existing workers and retain jobs in Missouri.

Empowering Families to Achieve Self-Sufficiency

The availability of affordable child care is a key component in whether or not many low-income families are able to achieve economic self-sufficiency. The absence of such care prohibits many otherwise willing and able individuals from becoming or staying employed. Helping low-income families afford quality child care services empowers them to move up the socio-economic ladder from unsustainable poverty toward economic self-sufficiency. Governor Blunt's Fiscal Year 2006 budget includes \$11.5 million to provide low-income families with access to quality child care.

Improving Missouri's Workers' Compensation System

Any reforms to the state's Workers' Compensation laws must scrupulously guard the rights of injured workers with legitimate claims. Workers' Compensation laws represent a tradeoff between the employer and the employee. The employee forfeits his or her right to sue in tort and the employer gives up his or her right to refuse to pay for a workplace injury or to dismiss an injured worker. On the whole, Workers' Compensation laws are fair, efficient, and logical — they create clear and predictable results, keep the courts from becoming clogged, and provide workers much-needed protection. What defies logic, however, is allowing unscrupulous workers to take advantage of the system by faking or exaggerating injuries or allowing plaintiff's attorneys to reap unfair financial awards by gaming the system.

Missouri employers currently face very high Workers' Compensation insurance premiums. Despite the fact that incident rates are down, costs continue to rise. In 2003, premium costs incurred by businesses increased by more than 13 percent. Some sectors, such as manufacturing, experienced increases of as much as 19 percent. Increasing Workers' Compensation premiums detract from an employer's ability to reinvest in and expand their business, decreasing the amount of capital available to hire new workers. High Workers' Compensation insurance premiums are costing Missouri jobs.

Businesses consider Workers' Compensation expenses when deciding where to locate or move their company. Between 1991 and 2001, the amount of Workers' Compensation benefits paid out annually nearly doubled in Missouri. This 99 percent increase is one of the highest in the nation. Missouri's per-employee benefit cost is also significantly higher than any of the surrounding states. This increase in benefits paid does not make sense in light of the fact that the number of workplace injuries has declined by 50 percent since 1992.

Unfortunately, Missouri's system has been plagued with some unscrupulous workers who have taken advantage of the system by fabricating or exaggerating injuries that are not actually work-related. There should be no question, before any claim is paid, that the injury is the clear result of a workplace accident or condition. Missouri's laws should be strengthened to protect employers from exaggerated claims while protecting the rights of injured workers. In addition, employees who attempt to defraud the system should be prosecuted for violating the law. Currently, first-time violators who present a false Workers' Compensation claim are only guilty of a misdemeanor. Governor Blunt supports increasing penalties for those who seek to abuse Missouri Workers' Compensation laws.

Another problem with the current system is that employers are required to pay for claims when employees are injured while they were under the influence of alcohol or illegal drugs. If alcohol or drugs are involved, the employee's payment generally is reduced by only 15 percent. If an employee is found to be under the influence of alcohol or illegal drugs at the time of an injury, that individual should not be allowed to file a claim. At a minimum, the recoverable amount should be reduced by half if an injured employee is found to be under the influence of alcohol or illegal drugs.

Governor Blunt will work with the General Assembly to address these issues during the 2005 legislative session. Savings to the state's own Workers' Compensation payments from this initiative will total approximately \$1 million during the first year of implementation. These savings have been reflected in the Governor's Fiscal Year 2006 budget recommendations.

2005 Legislative Initiative Workers' Compensation Reform

Any reforms to the state's Workers' Compensation laws must scrupulously guard the rights of injured workers with legitimate claims. To improve the Workers' Compensation system in Missouri, Governor Blunt proposes major changes to the current system. These changes will lower premium increases, attract more businesses and jobs to the state, prevent businesses from moving to other states, protect injured workers with legitimate claims, and punish individuals who file fraudulent claims. Governor Blunt will work with the General Assembly to pass legislation that will:

- Control premium increases by ensuring employers are liable only for injuries for which they are directly responsible. The workplace accident or occupational exposure must be the "dominant" or "prevailing" factor in causing the injury or disability.
- Eliminate or reduce by half the recoverable amount when workers are found under the influence of alcohol or illegal drugs at the time of their accident.
- Increase penalties against those who seek to abuse Missouri's Workers' Compensation laws by presenting false or fraudulent claims. Anyone who defrauds the system should be charged with a felony violation.
- Promote neutrality of administrative law judges so that claimants are not unfairly favored over defendants by implementing reforms such as term limits, periodic reconfirmation by the Senate, or performance audits.

Renewing the State's Commitment to Agriculture

Agriculture is the bedrock of Missouri's economy and an important part of the state's heritage. Missouri has the second highest number of farming operations in the United States, which collectively contribute more than \$4.4 billion annually to the state's economy. While farmers have been visionaries in their fields, by adopting new technologies and forming value-added agricultural businesses, state government has lagged behind their progressive vision. Governor Blunt is committed to making agriculture and rural Missouri a priority by ensuring that state government acts as an innovative, proactive, and effective partner in rural economic development.

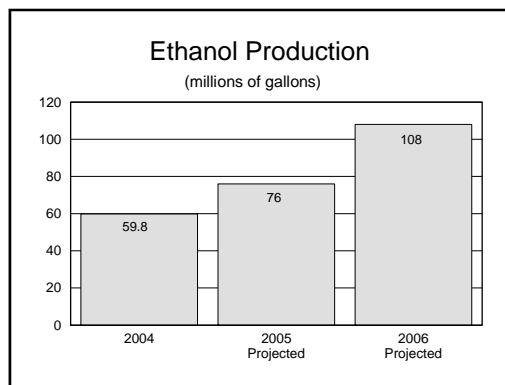
Renewable Fuels

Americans are too dependent on foreign sources of oil. Recent increases in gas prices illustrate the need for alternative sources of fuel. Renewable fuels, such as homegrown biodiesel and ethanol, improve air quality, decrease the nation's dependence on foreign oil, and bolster rural economies. Governor Blunt is committed to promoting policies that help Missouri become a national leader in the production and utilization of renewable fuels.

Biodiesel is a renewable alternative fuel produced by combining soybean oil with methanol in a process that removes excess glycerin. Biodiesel can be used in its pure form or blended with petroleum diesel at any percentage level. Research has shown that adding biodiesel to conventional diesel reduces emissions of smog-forming compounds by nearly 50 percent. In 2002, the General Assembly created the Biodiesel Producer Incentive Fund. The fund is designed to help Missouri farmers compete with biodiesel producers in neighboring states by lowering the cost of production for the first few years when expenses are the highest. The incentive fund is an important initiative that will help ensure Missouri is a national leader in this fast growing industry. Governor Blunt supports full funding for the Biodiesel

Producer Incentive Fund, as well as legislation to allow the program to be funded by general revenue.

Missouri has two fully operational farmer-owned ethanol production facilities, which have created more than 2,600 jobs and contributed \$256 million to Missouri's economy. These two ethanol plants, located in Macon County and Holt County, process approximately 23 million bushels of corn into 65 million gallons of fuel each year. In addition, three more plants, located in Audrain County, Dunklin County, and Saline County are in various stages of development. The Missouri Ethanol Producer Incentive Fund provides economic incentives to qualified ethanol producers. The fund has encouraged economic development in rural Missouri by facilitating the construction of capital-intensive production facilities that process corn into ethanol fuel. Governor Blunt supports increased funding for Missouri's ethanol program which has been underfunded in recent years. The Governor's Fiscal Year 2006 budget includes an increase of \$5.3 million to fully fund the program and provide payments to maintain commitments made in previous years.



Support for the Department of Agriculture

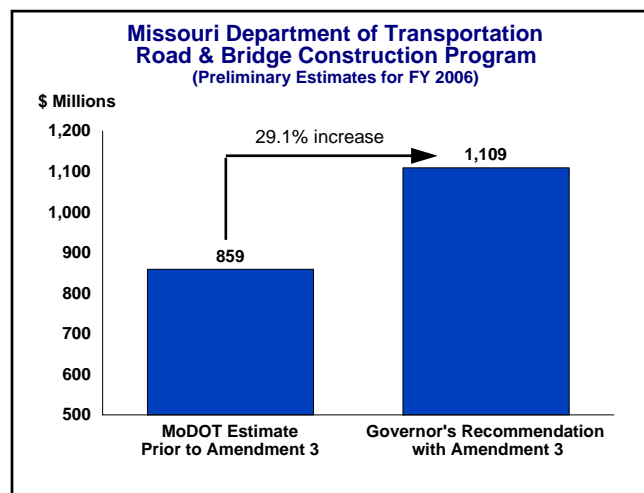
The Governor's budget recommendations include several increases for the Department of Agriculture:

- \$194,392 to expand the State Meat and Poultry Inspection Program allowing additional small slaughterhouses and processors to sell their services and products in Missouri.
- \$172,715 to initiate an animal care facility registration system to aid in the timely identification and tracking of animals carrying dangerous, infectious diseases of intentional or accidental origin.
- \$50,000 to help dairy producers identify new business opportunities and improve production efficiency.
- \$1 on an open-ended basis to receive federal funds that will support agro-terrorism response planning and training grants to protect Missouri's food supply.

Investing in Missouri's Transportation Infrastructure

Missouri's geographic location makes it a logical choice for a national transportation hub, capable of transporting vast amounts of domestic and international goods and passengers. For Missouri to reap the economic advantages of being a national transportation hub, the state's roads, bridges, rails, waterways, and aviation facilities must work together to create a cohesive transportation system that transports freight and passengers efficiently, quickly, and safely. In 2004, voters approved Constitutional Amendment Number 3, changing the Missouri Constitution, to redirect a portion of the Motor Vehicle Sales Tax from the General Revenue Fund to the State Road Fund and further restrict usage of highway funds by other departments. Amendment 3 will increase funding available for transportation projects statewide, including:

- An estimated \$180-\$190 million in additional revenue for roads and bridges, when fully implemented.
- An estimated \$1.8 million in additional revenue to the State Transportation Fund for non-highway related transportation modes.



Additional Resources for Transportation

Governor Blunt supported the passage of Amendment 3 and will make sure only those state government activities directly related to transportation receive highway fund revenues. With the passage of Amendment 3, the state will be able to direct additional funds toward enhancing Missouri's road and bridge infrastructure. In addition, the Missouri Highways and Transportation Commission plans to spend an estimated \$400 million in bond proceeds over a three-year period to upgrade 2,200 miles of Missouri's most heavily traveled roadways. To implement the provisions of Amendment 3 and improve Missouri's transportation system, Governor Blunt's Fiscal Year 2006 budget includes:

- \$57.8 million for road and bridge construction and maintenance.
- \$9.8 million reduction from the Department of Revenue that will now be available for highway projects.
- \$4.3 million for transit planning, equipment, and operations throughout the state.
- \$3 million for additional federal transportation enhancement projects.
- \$1 on an open-ended basis to utilize proceeds from bonds issued as a result of Amendment 3.

Maintaining Passenger Rail Service

Passenger rail service provided an alternate mode of transportation for more than 162,000 passengers in Fiscal Year 2004. This service is particularly useful for people who do not have access to a personal vehicle but need to travel between St. Louis and Kansas City. For Fiscal Year 2006, Governor Blunt recommends \$200,000 to maintain daily, round-trip, passenger rail service between St. Louis and Kansas City.

Making the Transportation Commission More Representative

The Missouri Highways and Transportation Commission was established in 1921 to oversee the Department of Transportation. The commission is comprised of six members who may originate from any part of the state. It is not uncommon for some geographic areas of Missouri to go years without having a commission member from their region. Governor Blunt pledges to make his commission appointments more representative of the various geographic areas of the state. In addition, the Governor believes the Missouri Department of Transportation is a total transportation agency. It not only builds and maintains roads, highways, and bridges, but is responsible for other areas of transportation, such as air, rail, and river travel. The commission should also represent the travelers and businesses that use these other means to travel and ship products.

2005 Legislative Initiative Missouri Highways and Transportation Commission Membership

To address all of Missouri's transportation sectors, Governor Blunt proposes legislation that adds two members to the Missouri Highways and Transportation Commission – one representing the air and mass transit communities and one representing freight and river transit. This will improve representation for all modes of transportation.

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Improving the Health of Missourians

“We must address the health care crisis head-on to ensure that health care is affordable and accessible for all Missourians.”

Governor Matt Blunt

Governor Blunt is committed to improving the health of all Missourians. The Governor's *Budget and Legislative Agenda* will: improve access to health providers and reduce the cost of health insurance by reforming medical malpractice laws; improve the health of chronically ill patients by introducing modern disease management principles; lower Missouri's high rate of teen smoking by instituting new youth tobacco prevention programs; preserve vital services for pregnant women and children enrolled in Medicaid; and improve in-home services for elderly and disabled Missourians.

Respecting the Sanctity of Human Life

Governor Blunt supports efforts to protect unborn children, including legislation that would deter individuals from transporting minors across state lines for the purpose of obtaining an abortion without parental consent, as well as funding for programs that support abortion alternatives. The Governor opposes state funding of abortion providers, supports efforts to improve conscience protections for health-related professionals, and will work to foster a healthy respect for human life at all of its stages.

Reforming the Medical Liability System

In recent years, health care costs for Missourians have exploded while the costs of remaining in business for Missouri health care providers has risen dramatically. The situation is so severe that the American Medical Association has named Missouri one of eighteen states facing a health care crisis. Citizens in many areas of the state are already seeing the full impact of this crisis - traveling long distances to seek medical attention, experiencing a shortage of doctors willing to deliver babies, and lacking access to critical trauma care services. This crisis primarily results from two factors: skyrocketing medical malpractice payments and frivolous lawsuits. As a result of the increased cost of practicing in Missouri many doctors are being forced to:

- Close their practices.
- Move their practices to another state.
- Cut back on state-of-the-art equipment.
- Lay off medical and support staff.
- Limit lifesaving procedures, such as surgery and child delivery.

2005 Legislative Initiative Medical Malpractice Reform

Governor Blunt supports meaningful litigation reform that will prevent Missouri doctors from having to close their offices, leaving patients without access to doctors they know and trust. The Governor will work with the General Assembly to quickly pass legislation that will:

- Place a single cap on non-economic damages of \$250,000. This will protect health care providers while ensuring that the victims of malpractice are adequately compensated for their damages. A 2002 court decision dismantled statutory protections by ruling non-economic damages could be applied multiple times within a single case.
- Limit venue provisions regarding where a lawsuit can be tried and require that lawsuits be filed where the accident or injury occurs. Current law allows lawsuits to be filed in places other than where an accident occurred. This allows plaintiffs to easily file suit in Jackson County or St. Louis, where juries are perceived to be more generous. This practice of picking venues by trial attorneys must stop.
- Ensure that health care providers are only sued when there is fault by crafting a truly meaningful affidavit of merit law. Attorneys who bring suits claiming malpractice should have an affidavit from a bona fide clinical peer of the accused who attests that malpractice has, in fact, actually occurred.
- Protect doctors and nurses who wish to extend statements of sympathy to their patients by creating evidentiary privileges. The current environment often prevents expressions of sympathy by doctors and nurses because of the fear that these statements may be used against them in court. Health care providers are empathetic people with long-standing relationships with many of the individuals they treat. They should be allowed to express sympathy for a family's loss without fear of litigation.
- Expand Missouri's peer review law to allow doctors and nurses to share information when working together to improve the quality of care. Protections should also be given to hospitals that engage in studies aimed at internal quality review. Currently, valuable studies that could reduce medical errors and improve the quality of patient care are being foregone because of the fear of lawsuits.

Chronic Care Management

Governor Blunt proposes implementing a Chronic Care Improvement Program to enhance the quality of care for chronically ill patients and achieve additional savings to the Medicaid Program. Chronic conditions such as diabetes and heart disease can be better managed by increasing the screening, monitoring, and educational services provided to patients. Often, these patients have multiple physicians treating their condition. The program also includes a component for coordination between all health care providers that are treating an individual with a chronic condition. This proactive approach will improve patient outcomes, decrease costly hospitalizations and emergency room visits, and produce additional savings in the Medicaid Program.

Protecting Health Care Access for Pregnant Women and Children

The Medicaid Program provides vital services to pregnant women and children. The State Children's Health Insurance Program (SCHIP) has been a success and is a prudent investment for the state. SCHIP annual expenditures per child are just over \$1,000 per year. This is a responsible use of taxpayers' money. Since its inception in 1998, the program has extended health care coverage to more than 87,000 children. In addition, the Medicaid Program includes several distinctive programs that cover low-income pregnant women. Governor Blunt is committed to ensuring that pregnant women and children have access to vital health services. Accordingly, the Governor's Fiscal Year 2006 budget recommendations include continued core funding for SCHIP and Medicaid programs for pregnant women.

Preventing Underage Smoking

Missouri recently received an "F" grade from the American Lung Association in the area of tobacco prevention and control spending. This is the second year in a row the state received a failing grade. Missouri has the third highest rate in the nation of teenagers who smoke. More than 30 percent of the state's high school students smoke. Ninety percent of all smokers say that they started their habit before the age of 18. The average age for a first time smoker is 13. Governor Blunt understands that for Missouri to improve its level of public health, it must do a better job of prioritizing youth prevention efforts that address unhealthy habits. To address Missouri's alarming teen smoking rate, Governor Blunt supports using a portion of the proceeds from a settlement reached with several smaller tobacco companies for tobacco prevention programs. The Governor's Fiscal Year 2006 budget for the Department of Health and Senior Services includes \$875,000 to institute new youth tobacco prevention programs.

Supporting our Elderly and Disabled Citizens

It is important that state government recognize that seniors are remaining active long after they reach retirement age. Governor Blunt is committed to improving the quality of life for the elderly in Missouri and ensuring we do not forget the contributions of the past when planning senior programs of the future.

Reforming and Increasing Funding for In-Home Services

Currently, state programs that serve Missouri's elderly and disabled citizens are located in the Department of Social Services, the Department of Elementary and Secondary Education, and the Department of Health and Senior Services. The Department of Social Services provides access to health care for low-income elderly and disabled individuals.

The Personal Assistance Services Program in the Department of Elementary and Secondary Education provides personal attendant care to individuals with severe physical disabilities to enable them to live more independently. The Department of Health and Senior Services provides support services to help seniors and adults with disabilities maintain their independence and safety. This is not an efficient way to provide services and can be confusing to those seeking assistance. To better serve these Missourians, Governor Blunt proposes unifying these services under the Department of Health and Senior Services.

In addition, Governor Blunt proposes funding to improve the quality of home health care services by increasing reimbursement rates paid by the state to providers. To ensure quality care is being delivered to individuals receiving home health care services,

competitive wages are critical. The availability of quality care at home prevents elderly and disabled citizens from being inappropriately placed in nursing homes. The Governor's Fiscal Year 2006 budget includes \$65.2 million to fund a wage increase for home and community-based workers.

Prescription Drug Coverage for Seniors

In December 2003, President Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003. It includes a prescription drug benefit to help seniors with the cost of medication. The program will begin covering prescriptions for senior citizens on January 1, 2006. Missouri currently has a Senior Rx Program that provides assistance with prescription drug costs for low-income seniors.

To provide relief and assistance to Missouri seniors, Governor Blunt has allocated funds to continue Missouri's Senior Rx Program for another year. This will give the state time to analyze yet to be finalized federal rules for the prescription drug benefit. It must be determined if, and how, the state can complement the new federal prescription drug benefit.

Health Care Technology

Governor Blunt supports investing in cutting edge health care technologies that will reduce medication errors, improve efficiencies, and reduce costs. Telemedicine allows increased access to health care in underserved areas and expands access to specialty care by enabling patients and providers to interact with health care professionals located miles apart. Telemedicine also brings continuing education and training to medical professionals in relatively isolated areas of the state. The Governor's Fiscal Year 2006 budget includes \$628,200 for a one-time grant to the Missouri Telehealth Resource Center at the University of Missouri-Columbia School of Medicine.

State Employee Health Care

Good, hard-working state employees must be adequately compensated and have access to affordable, quality health care coverage. Governor Blunt's Fiscal Year 2006 budget includes \$12 million to cover increased health insurance costs.

Good Samaritan Protection

Missourians have never hesitated to help those in need. "Good Samaritans" should not be vulnerable to lawsuits. The Governor supports legislation to ensure that liability protection is provided to all volunteers and emergency personnel who participate in disaster response and recovery operations in Missouri.

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Protecting Citizens from Crime

“During my administration we will not only say that we are tough on crime –we will be tough on crime.”

Governor Matt Blunt

Crime is a major concern across Missouri. Citizens want and deserve to feel safe in their own homes and communities. They want to be able to work and raise their children without having to fear being harmed by violent criminals. Every Missourian deserves to feel safe in their home, school, community, and place of work. Governor Blunt is committed to reducing crime by providing law enforcement officers the tools they need to do their jobs and by advocating policies that help decrease the production of methamphetamine.

Supporting Missouri Law Enforcement Personnel

Law enforcement personnel risk their lives each and every day to protect Missourians. The State Highway Patrol continues to confront serious personnel shortages as a result of an inadequate salary structure. To provide appropriate compensation that recognizes the patrol's service and sacrifice and gives them the necessary tools to perform their jobs, Governor Blunt's Fiscal Year 2006 budget includes:

- \$4.2 million for the second part of a three-year pay increase for Highway Patrol personnel. This increase should make patrol salaries more comparable to the largest police departments in the state.
- \$1.6 million to implement the DNA All Felon Program pursuant to SB 1000 (2004). This program is expected to reduce the number of unsolved crimes dramatically by obtaining DNA samples of all felons in state custody and comparing them against state and federal databases.
- \$1.4 million to service and replace Highway Patrol in-car video systems that record information used for evidence and training purposes.
- \$1.3 million to upgrade Highway Patrol vehicle safety features, including side impact airbags and fire suppression systems.
- \$966,900 to automate driver examination tests throughout the state. This will improve system integrity, reduce fraud, and capture photo images to prevent false identification which will strengthen efforts to prevent terrorist acts.

Protecting Against Health Hazards for Missouri Law Enforcement Officers

Law enforcement personnel are subject to extremely high levels of stress and environmental pollutants, but they are not covered by Workers' Compensation for respiratory and pulmonary diseases or stress-related injuries. Missouri's firefighters are afforded Workers' Compensation protection for these afflictions. Governor Blunt supports legislation this session to provide equitable coverage for law enforcement officers with occupational injuries.

Deterring Automobile Break-ins

Crimes involving automobile theft and property stolen from motor vehicles are on the rise. Damage to a car can cost thousands of dollars to repair in addition to the loss of stolen items. Governor Blunt supports additional measures to deter these criminals. The Governor will work with the General Assembly to pass legislation that elevates the act of damaging a motor vehicle while committing the crime of stealing to the level of a felony offense.

Paying the State Share of Prisoner Costs

State law requires that counties be reimbursed for their costs to house state prisoners. The current level of reimbursement is \$20 per day, far short of the amount required to cover the actual costs to counties. Counties have had to take severe measures to absorb the state's shortfall. To address this unfunded state mandate, Governor Blunt's Fiscal Year 2006 budget includes \$1.6 million to increase the state's share of prisoner costs. This funding will increase the payment to counties to \$21 per day per prisoner.

Keeping Dangerous Sexual Offenders in State Custody

Missouri law allows courts to civilly commit sexually violent predators to the custody of the Department of Mental Health after they have completed their prison sentence. The department houses offenders who have completed their prison sentences but have been deemed by the court as a danger to society at the Southeast Missouri Mental Health Center. To confine additional sexual offenders who have been mandated to state custody, Governor Blunt's Fiscal Year 2006 budget includes \$1.3 million for a new 17-bed sexually violent predator treatment unit.

Child Welfare System Funding

Child abuse and neglect are tragic consequences that can result from troubled families. The state must provide safe settings for at-risk children and facilitate the permanent placement of children who cannot return home. Over the past several years, the state's child welfare system has come under fire for not adequately addressing the needs of children in its care.

Sometimes children in the foster care system are so troubled that they require special treatment in a residential home setting. Providing housing and services for children with special needs is one of the greatest challenges of a state's child welfare system. Missouri has a committed network of private providers which meets the needs of this population. However, the costs to providers have exceeded the reimbursements for these services. To maintain a strong network of residential providers for abused and neglected children in state custody, Governor Blunt's Fiscal Year 2006 budget includes \$7 million to fund a rate increase.

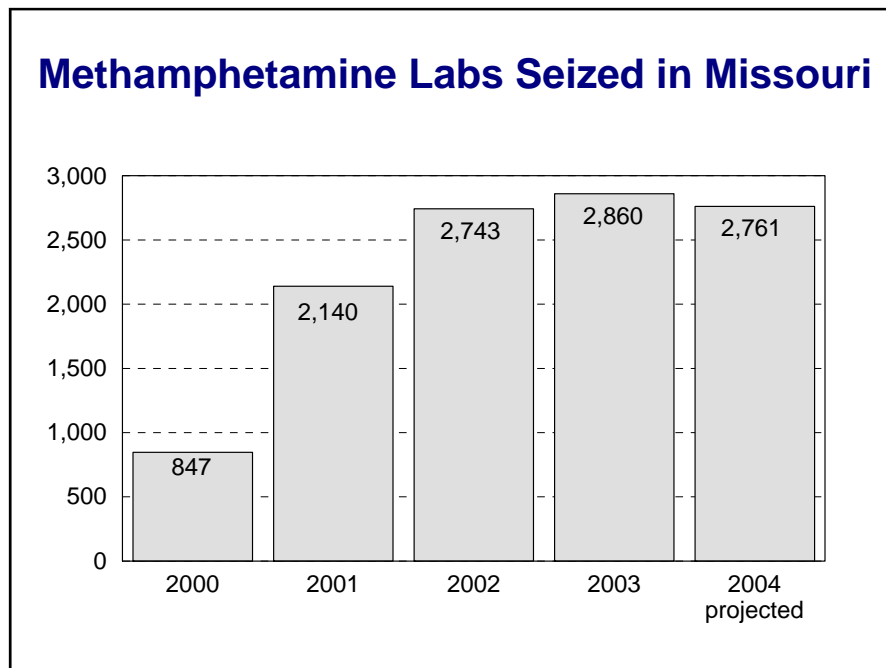
Stopping Meth Producers

According to the federal Drug Enforcement Administration, methamphetamine (meth) production and abuse have become the most dangerous drug problem for small towns in America. Meth is a highly addictive drug that can be manufactured by using relatively inexpensive, over-the-counter ingredients. It is a powerful stimulant associated with serious health conditions, including aggression, violence, psychotic behavior, and brain damage. The chemicals used to manufacture meth are lethally toxic, extremely flammable, and have a devastating impact on the environment when improperly disposed of by those producing it.

The State of Missouri has become a "Meth Mecca." One of the chief reasons for this dubious status is the state's large number of rural areas, which are desirable to meth lab operators who seek places where they are less likely to be detected by law enforcement. Missouri is also desirable because of its location in the center of the United States, which makes it a transportation hub with

excellent access to all parts of the country. For these reasons and others, Missouri led the nation in methamphetamine lab busts in 2003 with 2,860.

In order to stop meth production in the state, Missouri must cut off access to the ingredients that are used to produce the drug. Pseudoephedrine in the starch-based form is the key ingredient required in the production of meth. It is a common ingredient in many cold medicines and can be easily purchased at convenience stores, grocery stores, and pharmacies. In 2004, Oklahoma passed the first law in the country to add starch-based pseudoephedrine to the list of controlled substances that must be kept behind the counter and sold only at pharmacies. Oklahoma officials have noticed a dramatic decrease in meth seizures since enactment of the law. Unless Missouri implements a similar measure, meth producers will likely just cross state lines and set up shop in our state, exacerbating a problem that has already reached the level of an epidemic.



2005 Legislative Initiative Combating Missouri's Methamphetamine Epidemic

Governor Blunt will work with the General Assembly to pass legislation restricting access to pseudoephedrine, a key ingredient used to make methamphetamine. To reduce methamphetamine production in Missouri, the Governor's proposal will:

- Make products containing pseudoephedrine a Class V controlled substance. These products will be available only in pharmacies and can only be sold by a pharmacist or pharmacy technician.
- Require presentation of photo identification when purchasing pseudoephedrine products.
- Require purchasers of pseudoephedrine products to sign a written log, which will be available for inspection to law enforcement officers.
- Limit monthly purchases of pseudoephedrine products to 9 grams – approximately three typical sized boxes of cold medication.
- Exempt pseudoephedrine products in the liquid and liquid gel cap forms. Meth cannot be readily made from pseudoephedrine in these forms.

Recognizing Those Who Have Served Our State and Nation

No group of Missourians is more deserving of gratitude, respect, praise, and provision than those who have worn the nation's service uniform. Many of Missouri's 562,000 veterans have devoted their most productive years to the service of our nation so that the freedom and democracy we enjoy can be maintained for posterity. Governor Blunt will recognize the extraordinary sacrifices made by these individuals by serving as a stalwart advocate for Missouri's veterans and military retirees.

The Veterans Commission Capital Improvement Trust Fund, designed to support veterans' homes and veterans' cemeteries, is experiencing financial difficulty. As the operating costs of the seven veterans' homes have risen, the expenses associated with running the facilities have begun to exceed the revenues generated by the facilities, resulting in a budget shortfall. For the fund to remain solvent, additional financial support is required. Governor Blunt recommends the following measures to continue these critical services for Missouri veterans:

- \$13.8 million to ensure stable funding for residential care services in the veterans' homes.
- \$2.9 million for increased pharmaceutical costs at veterans' homes.

Governor's Advisory Council for Veterans Affairs

The Missouri Veterans' Commission is a five-member, statutory board located within the Department of Public Safety. The Commission is charged with the day-to-day administrative responsibilities for state veterans' programs, as well as oversight of the veterans' homes and veterans' cemeteries. A need remains, however, for an advisory group

with direct access to the Governor that can provide advice on emerging issues related to veterans. Governor Blunt will issue an Executive Order establishing a Governor's Advisory Council for Veterans' Affairs, which will meet with him regularly and recommend appropriate measures to assist Missouri veterans.

2005 Legislative Initiative Support for Missouri Military Families

Missouri currently has a tax check-off program that provides an opportunity for individuals or corporations receiving a state income tax refund to donate a portion of their return to designated, not-for-profit organizations. Governor Blunt is committed to supporting the men and women who serve in the National Guard and Reserves. Often their service is over an extended period of time, which can cause financial hardships for these men and women and their families. To help alleviate this hardship, the Governor supports legislation that:

- Creates a Military Family Relief Fund to provide assistance to the families of Missouri National Guard members or reservists with the United States Armed Forces who are called to active duty.
- Adds the Missouri Military Family Relief Fund to the contribution options available under the state income tax check-off program. This will allow individuals or corporations to donate one dollar or more of their tax return to benefit the families of those serving our state and nation.